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SENT TO: Amembassy TOKYO 1542

EMBDESP 622 and EMBTEL 1918

1. Provisions of Japanese regulations on allocation of foreign currency for TV films for fiscal year 1959 which set maximum prices for individual foreign films appear to contravene Article XVI FCN Treaty and GATT Article III, inasmuch as price ceilings made applicable exhibition films of foreign origin only, thus denying national treatment to products of U.S. origin.

2. Allocation global sum in foreign exchange for imported TV films and sub-allocations to end users would appear to be consistent Article XII and all that is necessary to conserve foreign exchange. It evidently should suffice for the purpose, as it presumably suffices with respect to other imported commodities.

3. We would expect Japanese increase this allocation with improvement its balance of payments position and with increase number TV viewers and market for TV material in Japan. Further limitations placing ceilings (which could perhaps be justified under GATT Article IV) on amount of time during which each TV station may show foreign films and maximum prices which may be paid for individual imported TV films appear (1) unnecessary for

DEPARTMENT OF STATE
L/T
DEC 29 1959
OFFICE OF THE LEGAL ADVISER

Drafted by: OT:CPT:HFPropps:ssk 12/28/59 | Telegraphic transmission and classification approved by: CPT - Mr. Butler

Clearances: L/E - Mr. Hollis (in draft) NA - Mr. Ford (in substance) CT - Mr. Sullivan (in substance)
USIA - Mr. Shelton (in substance) Commerce - Mr. Wallace (in substance)

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for purpose conserving foreign exchange (2) unwarranted interference with freedom of contract between buyer and seller (3) discriminatory between foreign and domestic product. Furthermore, these limitations may result in inability Japanese TV stations to import the best quality foreign films—including products U.S. news services—with result that TV medium may not make its maximum contribution to international understanding.

4. Embassy should, at its discretion, make appropriate representations to Japanese Government against continuance regulations setting ceiling prices for individual foreign films. (Embassy may also raise TV screen quota issue if it believes U.S. industry interest would be served by raising now what would appear to be matter of secondary importance.) Embassy may wish make oral high-level approach leaving question of formal note of protest open for subsequent decision. However, if Embassy considers more effective make written representation now, suggest delivery memorandum similar in style to that left with foreign office October 15, 1958 re motion pictures (Enc. 1, Embdesp 533, Nov. 13, 1958).

REPEAT